



COUNTY of San Bernardino

F A S

CONTRACT TRANSMITTAL

FOR COUNTY USE ONLY

<input checked="" type="checkbox"/> New <input type="checkbox"/> Change <input type="checkbox"/> Cancel	Vendor Code		SC	Dept.	A	Contract Number	
COUNTY Department Economic and Community Development			Dept. ECD		Orgn. ECD	Contractor's License No.	
COUNTY Department Contract Representative Thomas R. Laurin, Director Brian Turnbull, Acting Assistant Director			Telephone (909) 388-0808 (909) 388-0855		Total Contract Amount \$583,619		
Contract Type <input type="checkbox"/> Revenue <input type="checkbox"/> Encumbered <input type="checkbox"/> Unencumbered <input checked="" type="checkbox"/> Other: Do not encumber – funds to be wired.							
If not encumbered or revenue contract type, provide reason: _____							
Commodity Code		Contract Start Date 12/21/04		Contract End Date 12/21/09		Original Amount \$ 583,619	
Fund SBQ	Dept. ECD	Organization ECD	Appr. 200	Obj/Rev Source 2005	GRC/PROJ/JOB No. 0000		Amount \$583,619
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.		Amount
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.		Amount
Project Name Viramontes Express USDA Forest Service So. CA Drought Assistance - Rural Development Grant Funds - Equipment LOAN				Estimated Payment Total by Fiscal Year FY Amount I/D FY Amount I/D 04/05 \$583,619 _____			

CONTRACTOR Henry S. Viramontes, dba Viramontes Express

Federal ID No. or Social Security No. 95-110357

Contractor's Representative Henry S. Viramontes

Address 12815 La Bida Ave. Chino, CA 91710

Phone (909) 597-7232

FAX (909) 597-6473

Nature of Contract: *(Briefly describe the general terms of the contract)*

This LOAN provides for the disbursement of the US Department of Agriculture, Forest Service under the Southern California Drought Assistance - Rural Development Program Grant Funds to the above-referenced BORROWER. This LOAN will partially finance the BORROWER'S project utilizing felled timber and wood biomass, which is the intended purpose of the program. The contract term is December 21, 2004 to December 21, 2009.

The attached contract consists of 28 pages including 5 exhibits.

(Attach this transmittal to all contracts not prepared on the "Standard Contract" form.)

Approved as to Legal Form (sign in blue ink)

COUNTY Counsel

Date _____

Reviewed as to Contract Compliance

Date _____

Date _____

Presented to BOS for Signature

Department Head

Date _____

Auditor/Controller-Recorder Use Only

<input type="checkbox"/> Contract Database	<input type="checkbox"/> FAS
Input Date	Keyed By

**BARK BEETLE WASTE WOOD
BUSINESS INCENTIVE PROGRAM
LOAN AGREEMENT
BETWEEN THE
COUNTY OF SAN BERNARDINO
AND**

BORROWER: Henry S. Viramontes, dba Viramontes Express

ADDRESS: 12815 La Brida
Chino, CA 91710

GUARANTORS: PERSONAL
Henry S. Viramontes
12815 La Brida Ave
Chino, CA 91710

CORPORATE
Henry S. Viramontes, dba Viramontes Express
12815 La Brida Ave
Chino, CA 91710

Suzanne Viramontes
12815 La Brida Ave
Chino, CA 91710

THIS CONTRACT hereinafter referred to as "LOAN" is entered into this 21st day of December, 2004 by and between the COUNTY of San Bernardino, hereinafter referred to as "COUNTY," and Henry S. Viramontes, dba Viramontes Express, hereinafter referred to as "BORROWER"; and

WHEREAS, severe drought conditions in the COUNTY have led to a forest-wide Bark Beetle infestation that has left dead and dying trees throughout our mountain communities creating health and safety fire hazards; and

WHEREAS, a concentrated effort on tree removal to clear the mountain areas of the infested trees is underway; and

WHEREAS, the COUNTY has applied for and received a grant from the U.S. Department of Agriculture, Forest Service (USFS) under the Southern California Drought Assistance Fund – Rural Development Program Grant hereinafter referred to as "GRANT;" and

WHEREAS, this GRANT was made available for programs and projects that facilitate the processing, marketing, and utilization of Bark Beetle felled timber, and resultant wood biomass, through fuel reduction programs; and

WHEREAS, a portion of the GRANT was designated to capitalize local efforts that provided financing for businesses whose activities add value and increase the economic use of the felled trees and wood biomass, concentrating on existing and proven technologies that will result in the timely movement of materials from fire hazard areas; and

WHEREAS, the COUNTY solicited project proposals from qualified businesses that have the required experience to utilize the timber and wood biomass materials resulting from fuels reduction activities in the drought stricken COUNTY Mountain areas; and

WHEREAS, the BORROWER submitted an application for financing under this program and was approved for a LOAN to be used pursuant to this LOAN Agreement; and

WHEREAS, the BORROWER will purchase two (2) trailers, a loader, and two (2) trucks to assist in its processing of felled infected bark beetle timber and wood biomass; and

WHEREAS, the BORROWER will process the timber and biomass for erosion control, waster water filtration systems, and other economic uses; and

NOW THEREFORE, for the mutual consideration hereinafter set forth, the parties hereto agree as follows:

DEFINITIONS

The following terms used in this LOAN Agreement have the meanings set forth below.

BORROWER shall mean Henry S. Viramontes, dba Viramontes Express.

Corporate guaranty shall mean the guaranty executed by Henry S. Viramontes, dba Viramontes Express as security for this LOAN Agreement.

Escrow shall mean the Escrow established with First American Title Company with respect to this LOAN Agreement. The LOAN proceeds will be released from Escrow only upon satisfaction of the conditions set forth in this LOAN Agreement and any escrow instructions delivered in connection with this LOAN Agreement.

Guarantors shall mean the Personal Guarantors identified below and the Corporate Guarantor, Henry S. Viramontes, dba Viramontes Express.

Personal Guarantors shall mean the Guaranty executed by each of the individual guarantors. The individual guarantors are as follows: Henry S. Viramontes and Suzanne Viramontes.

ARTICLE I LOAN

A. TERMS OF THIS LOAN

1. COUNTY hereby agrees to lend to BORROWER, and BORROWER hereby agrees to borrow from COUNTY and repay COUNTY, or its Assigns, the amount of five hundred eighty three thousand six hundred nineteen (\$583,619) dollars. The obligation of BORROWER to repay the business LOAN shall be evidenced by the Promissory Note hereinafter referred to as "NOTE" which is Exhibit 1.

This LOAN shall have a term of five (5) years (TERM). The simple annual interest rate on the LOAN shall be three percent (3.0%) for the term of the LOAN. Payments of principal and interest for the TERM of the LOAN shall be deferred annually as long as BORROWER, as determined by the COUNTY in its sole and absolute discretion, completes the requirements described in CONDITIONS below and BORROWER is not in default of the terms and conditions set forth in this Agreement. The BORROWER will not be required to make any principal or interest payments on the LOAN for the entire TERM of the LOAN if all conditions of this Agreement are met as described below.

If BORROWER, as determined by the COUNTY in its sole and absolute discretion, has completed five (5) years of the requirements set forth in the Conditions below, is not in default of the terms and conditions set forth in this Agreement, and if the Equipment (as defined below) is free and clear of all other liens and encumbrances, then BORROWER, shall have the option to transfer the Equipment purchased, to the COUNTY, at a place designated by the COUNTY, as full and complete payment of the NOTE or, in the alternative, pay the COUNTY the principal, interest, and all other amounts due COUNTY under the terms and conditions of the NOTE and this Agreement and retain ownership of the Equipment. If the Equipment cannot be transferred to the COUNTY free and clear of all liens and encumbrances, then the BORROWER shall be obligated to pay the COUNTY the principal, interest and

all other amounts due COUNTY under the terms and conditions of the NOTE and this Agreement and further, the COUNTY has the right to foreclose on the COUNTY'S security interest in the Equipment.

In the event BORROWER, as determined by the COUNTY in its sole and absolute discretion, has not met the requirements set forth in Conditions below, or if BORROWER is in default of the terms and conditions of this Agreement, then upon ninety (90) days written notice to the BORROWER, the COUNTY has the right to demand full payment of principal, interest, and all other amounts due COUNTY under the terms and conditions of the NOTE and this Agreement. However, if the Equipment is free and clear of all other liens and encumbrances, then the BORROWER shall have the right within said ninety (90) day period to transfer title and deliver the Equipment to the COUNTY, to a location as determined by the COUNTY, as payment in full of the amount owed on the NOTE. If BORROWER cannot give the COUNTY free and clear title to the Equipment, COUNTY shall foreclose its security interest in the equipment and BORROWER shall be subject to a deficiency judgment.

2. Conditions:

This LOAN is subject to and contingent upon:

- (a) The funds disbursed under this LOAN shall be used for those items and activities as identified in Uses of Funds for Projects (Exhibit 2) per USDA, Title 7, Part 3016, Subpart C, Section 3016.32.
- (b) Any assets or Equipment (hereinafter collectively referred to as "Equipment") purchased (or financed) by the proceeds of this LOAN must remain at all times in San Bernardino COUNTY; provided however, that the COUNTY has the absolute discretion to approve or disapprove the removal of the equipment from the COUNTY and to state specifically when the equipment must be relocated back within the COUNTY of San Bernardino. COUNTY reserves the right to allow Equipment to be relocated outside of the COUNTY in cases of urgent need for not more than 30 calendar days per relocation request. BORROWER agrees to obtain written permission from COUNTY for any relocation of Equipment prior to Equipment removal from the COUNTY. If BORROWER needs Equipment to be relocated for more than 30 days, then for each 30 day period, or portion thereof, the BORROWER agrees to obtain written permission from COUNTY. It shall be in the sole discretion of the COUNTY to allow for the removal and relocation of Equipment.
- (c) The COUNTY must have a first lien position on any Equipment purchased (or financed) by the proceeds of this LOAN. No liens or security interest can be filed against the Equipment without the prior written permission of COUNTY.
- (d) BORROWER must provide monthly status reports with verifying documents regarding its use of the Equipment for timber and wood biomass removed from the COUNTY'S mountain communities. Exhibit 3 to this LOAN provides the format for the Monthly Report to be submitted. Failure to submit Monthly Reports for three (3) consecutive months constitutes a default of this Agreement.
- (e) BORROWER must fulfill the requirements set forth in BORROWER'S proposal set forth in the Scope of Work attached hereto as Exhibit 4. BORROWER shall not be in default if the COUNTY concludes, in its sole and absolute discretion, that the BORROWER'S failure to fulfill the requirements of BORROWER'S Scope of Work is due to causes beyond BORROWER'S control.
- (f) BORROWER must fulfill all other conditions set forth in this Agreement which are hereby incorporated by reference.

3. Additional Equity:

BORROWER agrees to provide additional equity funds to cover additional Equipment costs incurred as a result of overruns or unanticipated expenses or changes in work orders in excess of the COUNTY'S LOAN. No liens on security interest can be filed against the Equipment without the written permission of COUNTY.

4. LOAN Disbursement:

All funds shall be disbursed through Escrow established by the COUNTY and upon the approval of COUNTY. If the actual purchase price is less than the amount set forth in the NOTE, then the difference between the NOTE and the actual purchase price of Equipment shall be returned to the COUNTY as a reduction in the principal amount owed under the terms of the NOTE.

5. Collateral:

COUNTY accepts the collateral and security described herein and in the event of a default, has full authority to pursue any of the collateral that in COUNTY'S sole discretion would satisfy the default or any deficiency owed.

The following is the collateral and security for the LOAN:

- (a) **NOT APPLICABLE** - Commercial property owned by _____: NOTE secured by a _____ Trust Deed on property located at: _____, CA (APN _____). COUNTY Trust shall be subject to a _____ Trust Deed by _____, in an amount not to exceed \$_____; a _____ Trust Deed by the U.S. Small Business Administration, in an amount not to exceed \$_____. CLTA Policy of Title insurance is required. An MAI appraisal was prepared by _____ on _____ valuing the property at FMV \$_____.
- (b) **NOT APPLICABLE** - Unlimited personal guaranty from _____, jointly and severally, secured by a Trust Deed on property located at: _____ (APN _____) - _____, CA. An appraisal was prepared by _____ on _____ valuing the property at FMV \$_____.
- (c) Corporate Guaranty from Henry S. Viramontes, dba Viramontes Express in an amount not to exceed the principal amount of the NOTE plus accrued interest and any service or other fees.
- (d) General Security Agreement and Primary or First Uniform Commercial Code (UCC-1) position security interest by means of duly filed financing statement and security agreement on the Equipment to be purchased with the LOAN funds.
- (e) Unlimited personal guaranty from Henry S. Viramontes in amount not to exceed the principal amount of the NOTE plus accrued interest and any service or other fees. This personal guaranty is not secured by any real property.
- (f) Unlimited personal guaranty from Suzanne Viramontes in amount not to exceed the principal amount of the NOTE plus accrued interest and any service or other fees. This personal guaranty is not secured by any real property.

6. Other Conditions:

This LOAN is subject to and contingent upon:

- (a) The representations made in the application by the BORROWER and Guarantors including the supporting documents thereto, the conditions set forth herein and any other conditions, which may be imposed by COUNTY. Any material misrepresentation or fraud shall be considered an immediate Event of Default.
- (b) COUNTY'S determination, in its sole discretion, that there has been no incurred Event of Default (as described in Article VI) or unremedied adverse change in the financial or any other condition of BORROWER or the Guarantors since the date of application, which would warrant not entering into this LOAN or withholding the proceeds of this LOAN.

- (c) Agreement by BORROWER to provide additional equity funds to cover additional project costs incurred as a result of overruns or unanticipated expenses in financing the project.
- (d) BORROWER and COUNTY agreement that any and all outstanding obligations may be accelerated and payments called by COUNTY:
 - a. If during the TERM of this LOAN there is a change of ownership of the BORROWER and or the Equipment without prior written consent of COUNTY, whose consent will not be unreasonably withheld.
 - b. If there are any events of default under the NOTE or the Personal or Corporate Guarantees.
- (e) Execution of all collateral documents.
- (f) The US Department of Agriculture, Southern California Drought - Rural Development Grant providing the release of these LOAN funds to the COUNTY of San Bernardino for this project.
- (g) LOAN approval and closing subject to COUNTY confirmation as to the adequacy and sufficiency of the permits necessary to operate the business.
- (h) LOAN approval and closing subject to COUNTY confirmation as to the adequacy and sufficiency of the security offered for this LOAN.
- (i) All "officer debt," now owing or hereinafter incurred, being subordinated to this LOAN and no payment being made by BORROWER to said officer without the prior written consent of the COUNTY.
- (j) LOAN closing subject to terms, provisions and conditions set forth in these LOAN documents as deemed necessary by the COUNTY and COUNTY'S legal counsel in their sole discretion.
- (k) This LOAN is not assignable or transferable by the BORROWER, except with the prior written consent of COUNTY, whose consent will not be unreasonably withheld.

B. EXPENSES AND CLOSING COSTS

If applicable, COUNTY agrees to pay all fees including Escrow fees, expenses and charges with respect to this LOAN, or its making, amendment, or transfer, including, but not limited to, the fees and expenses of any counsel employed by COUNTY, title insurance and survey costs, recording and filing fees for UCC-1 statements, mortgage taxes, documentary stamps, and any other taxes, fees and expenses payable in connection with this transaction and with the enforcement of this LOAN and NOTE. Any fees and/or expenses involved with the assignment or transfer of any interest in this project by BORROWER to a third party is the sole responsibility of the BORROWER. No amount shall be withheld from disbursement of the LOAN proceeds for the payment of these expenses.

ARTICLE II
REPRESENTATION AND WARRANTIES

BORROWER represent(s) and covenant(s) the following:

A. DULY ORGANIZED

Henry S. Viramontes, dba Viramontes Express is authorized to do business in California, validly existing and in good standing, under the laws of the State of California and has the power to enter into this LOAN to borrow hereunder and to guaranty this LOAN of BORROWER.

B. DULY AUTHORIZED

The making and performance by BORROWER and each Guarantor of this LOAN and the execution and delivery of NOTE, the Guarantees, and any Security Agreement(s) and other Instrument(s) have been duly authorized by all necessary action and will not violate any law, rule, regulation, order, writ, judgment, decree, determination or award presently in effect having applicability to BORROWER or Guarantors or any provision of BORROWER'S Certificate of Incorporation or By-laws or any provision of BORROWER'S corporation agreement or result in a breach of any credit agreement or instrument to which BORROWER or Guarantors are a party or by which they or their property may be bound or affected.

C. LEGALLY BINDING INSTRUMENTS

When this LOAN is executed by BORROWER and COUNTY, and when NOTE is executed and delivered by BORROWER for value, each such instrument shall constitute the legal, valid, and binding obligation of BORROWER in accordance with its terms. In addition, Henry S. Viramontes, dba Viramontes Express' Corporate Guaranty of BORROWER'S obligations under this Agreement shall constitute the legal, valid and binding obligations of Viramontes Express in accordance with its terms. If applicable, any security agreement, instruments, financing statements, mortgages, personal guaranty, or other liens or chattel recorded on or against the title of the real estate by COUNTY shall constitute legal, valid and binding liens.

D. NO LEGAL SUITS

There are no legal actions, suits, or proceedings pending or, to the knowledge of BORROWER or each Guarantor, threatened against BORROWER or each Guarantor before any court or administrative agency, which, if determined adversely to BORROWER or each Guarantor, would have a material adverse effect on the financial condition or business of BORROWER and interfere with BORROWER'S or each Guarantor's performance of this LOAN or guaranty or with completion of the project for which this LOAN was made.

E. NOT IN DEFAULT

BORROWER and each Guarantor is not in default of any obligation, covenant or condition contained in any bond, debenture, note, or other evidence of indebtedness or any mortgage or collateral instrument securing the same, which would have a material adverse affect on or interfere with BORROWER'S performance of this LOAN or guaranty.

F. TAXES ARE PAID

BORROWER and each Guarantor have filed all tax returns which are required and have paid or made provision for the payment of all taxes which have or may become due pursuant to said returns or pursuant to any assessments received by them. No tax liability has been asserted by the Internal Revenue Service or any other taxing agency, federal, State, or local, for taxes materially in excess of those already provided for BORROWER or each Guarantor and neither BORROWER nor each Guarantor know(s) of any basis for any such deficiency assessment.

G. NO ADVERSE CHANGE

BORROWER and each Guarantor certifies that there have been no adverse changes since the date of this LOAN application in the financial condition, organization, operation, business prospects, fixed properties, or personnel of Viramontes Express.

H. SEVERABILITY OF PROVISIONS

If any provision of this LOAN is held to be invalid by the final decision of a court of competent jurisdiction, the remainder of this LOAN shall not be affected thereby.

I. GUARANTORS EACH REPRESENT AND COVENANT THE FOLLOWING:

1. LEGALLY BINDING INSTRUMENTS

This LOAN Agreement and the Personal Guaranty, when executed by Guarantors and COUNTY shall constitute legal, valid and binding obligations of each Guarantor in accordance with its terms. If applicable, any security agreement, instrument, financing statement, mortgage or other lien or chattel recorded by COUNTY on or against the title and real estate owned by Guarantor shall constitute legal, valid and binding liens.

2. NO LEGAL SUITS

There are no legal actions, suits or proceedings pending or, to the knowledge of Guarantors, threatened against Guarantors before any court or administrative agency, which if determined adversely to Guarantors would have a material adverse effect on the financial condition of Guarantors and interfere with Guarantors' performance under the Personal Guaranty.

3. NOT IN DEFAULT

Each Guarantor is not in default of any obligation, covenant or condition contained in any bond, debenture, note or other evidence of indebtedness or any mortgage or collateral instrument securing the same, which would have a material adverse effect on or interfere with Guarantor's performance under the Personal Guaranty.

4. NO ADVERSE CHANGE

Each Guarantor certifies that there have been no adverse changes since the date of this LOAN Agreement application, in the financial condition of Guarantor.

ARTICLE III
CONDITIONS OF RELEASE OF FUNDS

The obligation of COUNTY to release funds from Escrow (make this LOAN) shall be subject to the fulfillment at the time of this LOAN closing of each of the following conditions:

A. ENTITY PAPERS

BORROWER shall have delivered to COUNTY copies of BORROWER'S Certificate of Incorporation, Articles of Organization, Operating Agreement, Fictitious Business Name Statement, if applicable, and current Certificate of Good standing of which all are incorporated herein by this reference.

B. EXECUTION AND DELIVERY OF NOTE

BORROWER shall have executed and delivered to COUNTY the NOTE and any other documents COUNTY may deem reasonably necessary with respect to this LOAN, provided that such other documents do not materially increase the liability or obligations of BORROWER, in a form and on terms and conditions reasonably satisfactory to COUNTY and its Counsel.

C. EXECUTION AND DELIVERY OF GUARANTY

Guarantors each shall have executed and delivered to COUNTY their respective Corporate and Personal Guarantees. The required collateral is identified herein Article I(A)(5) Collateral.

D. EXECUTION AND DELIVERY OF COLLATERAL SECURITY AGREEMENT AND MORTGAGE

BORROWER shall have executed and delivered to COUNTY Security Agreement(s), Deed(s) of Trust and Financing Statement(s) in a form satisfactory to COUNTY, giving COUNTY a security interest in all of the collateral used to secure this LOAN. Said Security Agreement(s), Financing Statements and Deed(s) of Trust are to secure payment of the principal of NOTE, the interest thereon, and any other sums payable by BORROWER hereunder. The security and collateral is set forth in Article 1 Section A(5) Collateral.

E. EXECUTION AND CERTIFICATION OF RESOLUTION AUTHORIZATION

BORROWER shall have executed and delivered to COUNTY a duly certified copy of a Resolution of the Board of Directors and/or any provision of BORROWER'S Corporate Agreements authorizing the execution and delivery of BORROWER of this LOAN, NOTE, Corporate Guaranty, and Security Agreements and collateral.

F. PROVISIONS AGREED TO BY BORROWER

1. All agreements pertaining to use of the LOAN proceeds shall be duly executed and performed by BORROWER.
2. BORROWER shall provide to COUNTY at this LOAN closing, proof that:
 - (a) BORROWER is authorized to operate the business, incur the indebtedness and execute the security instruments;
 - (b) NOTE is a valid and binding obligation in accordance with its terms;
 - (c) If applicable, the security instruments duly authorized, executed and delivered, are valid and binding commitments in accordance with their terms, and are duly filed and recorded.
3. Viramontes Express shall provide to COUNTY at this LOAN closing, proof that:
 - (a) Henry S. Viramontes, dba Viramontes Express is authorized to execute the Corporate Guaranty
 - (b) The Corporate Guaranty is a legal, valid and binding obligation in accordance with its terms; and
 - (c) If applicable, the security instruments are duly authorized, executed and delivered, are valid and binding commitments in accordance with their terms, and are duly filed and recorded.
4. Each of the Guarantors shall provide to COUNTY at this LOAN closing, proof that:
 - (a) The Personal Guaranty is a legal, valid and binding obligation in accordance with its terms; and
 - (b) If applicable, the security instruments or trust deeds are duly authorized, executed and delivered, are valid and binding commitments in accordance with their terms, and are duly filed and recorded.

G. GUARANTEES

COUNTY shall have received duly executed Personal and Corporate Guaranty Agreements of all individuals or entities as required in Article 1, Section A(5) Collateral.

H. GOVERNMENTAL APPROVAL

BORROWER shall have secured all necessary approvals or consents, as required, of governmental bodies having jurisdiction with respect to any operations contemplated in accordance with the use of proceeds of this LOAN. BORROWER shall notify COUNTY in the event it does not secure any necessary governmental approvals or consents as required. Failure to do so shall be an Event of Default.

I. APPROVAL OF OTHERS

BORROWER shall have secured all necessary approvals and consents required with respect to this transaction by any mortgagor, creditor or other party having any financial interest in BORROWER.

J. OPINION OF COUNSEL

Not Applicable.

ARTICLE IV
AFFIRMATIVE COVENANTS OF THE BORROWER

BORROWER agree(s) to comply with the following covenants from the date hereof until COUNTY has been fully repaid with interest, unless COUNTY or its Assigns shall otherwise consent in writing:

A. PAYMENT OF THIS LOAN

Subject to Article 1, Section A(1), BORROWER agree(s) to pay punctually the principal and interest on NOTE according to its terms and conditions and to pay punctually any other amounts that may become due and payable to COUNTY under or pursuant to the terms of this LOAN and NOTE.

B. PAYMENT OF OTHER INDEBTEDNESS

Subject to Article 1, Section A(1), BORROWER and Guarantors each agree to pay punctually the principal and interest due on any other indebtedness now or hereafter at any time owing by BORROWER to COUNTY or any other lender.

C. MAINTAIN AND INSURE EQUIPMENT

BORROWER agree(s) at all times to maintain the Equipment and other collateral provided as security for this LOAN in such condition and repair that COUNTY'S security will be adequately protected. BORROWER also agrees to maintain during the TERM of this LOAN, adequate hazard insurance policies covering fire and extended coverage and such other hazards as may be deemed appropriate in amounts and form satisfactory to COUNTY with COUNTY as an additional named insured and as the sole loss payee of any insurance funds to be distributed under the terms of these insurance policies. BORROWER further agrees, if at any time during the life of this LOAN, BORROWER'S property is declared to be within a flood hazard area, to purchase Federal Flood Insurance, if available. Such insurance shall be in an amount equal to the greater of: (i) the amount of this LOAN; (ii) the replacement value of the property; or (iii) the maximum limit of coverage available. BORROWER further agree(s) to maintain adequate Liability and Workers' Compensation Insurance in amounts and form satisfactory to COUNTY.

D. PAY ALL TAXES

BORROWER and Guarantors each agree to duly pay and discharge all taxes, assessments and governmental charges upon it or against its properties prior to the date on which penalties are attached thereto; except that BORROWER and Guarantors shall not be required to pay any such tax, assessment or governmental charge which is being contested by it in good faith and by appropriate proceedings.

E. MAINTAIN EXISTENCE

BORROWER agree(s) to maintain its corporate and/or partnership existence, rights, privileges, and franchises within the State of California and to qualify and remain qualified as a foreign corporation and/or partnership in each jurisdiction in which its present or future operations, or where its ownership or property require such qualification.

F. PROVIDE FINANCIAL INFORMATION

BORROWER agree(s) to maintain adequate records and books of account, in which complete entries will be made reflecting all business and financial transactions. Entries are to be made in accordance with generally accepted principles of good accounting practice consistently applied in the case of financial transactions. BORROWER agrees to deliver to COUNTY annual financial statements certified by an authorized officer of BORROWER to be true and accurate copies and are to be submitted to COUNTY not later than 120 days after the end of each fiscal year, to include an Income Statement and Balance Sheet.

BORROWER and Guarantors each agree to provide information, and execute and deliver any and all additional documents, including copies of income tax returns and instruments as may be reasonably requested by COUNTY, its Assigns or Counsel. BORROWER agree(s) to provide written notice to COUNTY of any public hearing or meeting before any administrative or other public agency which may, in any manner, affect the personal or real property securing this LOAN.

BORROWER and Guarantors each shall provide such other information as COUNTY may reasonably request.

COUNTY shall advise BORROWER in writing ten (10) days after COUNTY receives any notice of violation by BORROWER of the TERM of this LOAN, breach of any provisions of this LOAN documents, or other distress conditions that may jeopardize repayment of this LOAN.

G. RIGHT TO INSPECTION

BORROWER and Guarantors each will give the COUNTY'S Director of Department of Economic and Community Development and the Auditor/Controller of the COUNTY, through any representative thereof, access to and the right to examine all records, books, papers or documents related to this LOAN to assure that the funds are being expended in accordance to the provisions of this LOAN; and BORROWER and Guarantors each further agree to provide COUNTY free access to all premises for the purpose of such inspection to determine the condition of the Equipment.

H. NULL AND VOID COVENANTS

BORROWER and Guarantors each agree, that in the event that any provision of this LOAN or any other agreement executed at this LOAN closing, shall be declared null and void, invalid, or held for any reason to be unenforceable by a Court of competent jurisdiction, the remainder of such agreement shall nevertheless remain in full force and effect, and to this end, the provisions of all covenants, conditions, and agreements described herein are deemed separate.

I. EXPENSES OF COLLECTION OR ENFORCEMENT

BORROWER and Guarantors each agree that, if at any time BORROWER defaults on any provision of this LOAN, BORROWER and Guarantors shall jointly pay or cause to be paid to COUNTY or its Assigns, in addition to any other amounts that may be due from BORROWER and Guarantors, an amount equal to the costs and expenses, including attorneys fees, of collection, enforcement, correction or waiver of the default incurred by COUNTY or its Assigns in such collection, enforcement, correction or waiver of default.

J. INDEMNIFICATION

The BORROWER and Guarantors each agree to indemnify, defend and hold harmless the COUNTY and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of this LOAN from any cause whatsoever; including the acts, errors or omissions of any person and for any costs or expenses incurred by the COUNTY on account of any claim, therefore, except where such indemnification is prohibited by law.

K. INSURANCE REQUIREMENTS

Without in anyway affecting the indemnity herein provide and in addition thereto, the BORROWER shall secure and maintain throughout the Contract the following types of insurance with limits as shown:

- Workers' Compensation – A program of Workers' Compensation insurance or a State-approved Self-Insurance Program in an in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with \$250,000 limits, covering all persons providing services on behalf of the BORROWER and all risks to such persons under this Agreement.

If BORROWER has no employees, it may certify or warrant to COUNTY that it does not currently have any employees or individuals who are defined as "employees" under the Labor Code and the requirement for Workers' Compensation coverage will be waived by the COUNTY'S Risk Manager.

With respect to BORROWER'S that are not non-profit corporations organized under California or Federal law, volunteers for such entities are required to be covered by Workers' Compensation insurance. If the COUNTY'S Risk Manager determines that there is no reasonably priced coverage for volunteers, evidence of participation in a volunteer insurance program may be substituted.

- Comprehensive General and Automobile Liability Insurance - This coverage to include contractual coverage and automobile liability coverage for owned, hired and non-owned vehicles. The policy shall have combined single limits for bodily injury and property damage of not less than one million dollars (\$1,000,000).
- Errors and Omissions Liability Insurance - Combined single limits of \$1,000,000 for bodily injury and property damage and \$3,000,000 in the aggregate or
- Professional Liability - Professional liability insurance with limits of at least \$1,000,000 per claim or occurrence.
- Additional Named Insured - All policies, except Workers' Compensation, Errors, and Omissions and Professional Liability policies, shall contain additional endorsements naming the COUNTY and its officers, employees, agents and volunteers as additional named insureds with respect to liabilities arising out of the performance of services hereunder.
- Waiver of Subrogation Rights – BORROWER shall require the carriers of the above-required coverages to waive all rights of subrogation against the COUNTY, its officers, employees, agents, volunteers, contractors, and subcontractors.
- Policies Primary and Non-Contributory - All policies required above are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by COUNTY.
- Proof of Coverage - BORROWER shall immediately furnish certificates of insurance to the COUNTY Department administering the contract evidencing the insurance coverage, including endorsements, above required prior to the commencement of performance of services hereunder, which certificates shall provide that such insurance shall not be terminated or expire without thirty (30) days written notice to the Department, and BORROWER shall maintain such insurance from the time BORROWER commences performance of services hereunder until the completion of such services. BORROWER shall furnish certified copies of the policies and all endorsements prior to funding.

L. INSURANCE REVIEW

The above insurance requirements are subject to periodic review by COUNTY. COUNTY'S Risk Manager is authorized, but not required, to reduce or waive any of the above insurance requirements whenever the Risk Manager determines that any of the above insurance is not available, is unreasonably priced, or is not needed to protect the interests of COUNTY. In addition, if the Risk Manager determines that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced or available, the Risk Manager is authorized, but not required, to change the above insurance requirements to require additional types of insurance coverage or higher coverage limits, provided that any such change is reasonable in light of past claims against COUNTY, inflation, or any other item reasonably related to COUNTY'S risk.

Any such reduction or waiver for the entire term of this Contract and any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Contract. BORROWER agrees to execute any such amendment within thirty (30) days of receipt.

ARTICLE V NEGATIVE COVENANTS

BORROWER and Guarantors each covenant and agree that, from the date hereof until payment in-full of NOTE, unless COUNTY or its Assigns shall otherwise consent in writing, shall not enter into any agreement or other commitment the performance of which would constitute a breach of any of the covenants contained in this LOAN including, but not limited to the following covenants:

A. ENCUMBER THE ACQUISITION EQUIPMENT/ASSETS

BORROWER shall not, with respect to the Equipment, create or suffer to exist any mortgage, pledge, lien, charge, or encumbrance, including liens arising from judgments with respect to BORROWER, except as provided for by this LOAN Agreement, without first obtaining written approval from COUNTY.

B. SALE OF EQUIPMENT/ASSETS

BORROWER shall not sell, convey, or suffer to be conveyed, lease assign, transfer or otherwise dispose of the Equipment/Assets unless approved in writing by COUNTY.

C. CHANGE OWNERSHIP

BORROWER shall not permit, without the written permission of COUNTY, any material change in the ownership structure, control, or operation of BORROWER, including but not limited to, (i) merger into or consolidated with any other person, firm or corporation; (ii) significant issuance of any shares of its capital stock having ordinary voting power for the election of members of the Board of Directors or other governing body of BORROWER, (iii) changing the nature of its business on the date hereof; (iv) substantial distribution, liquidation or other disposal of assets.

D. CHANGE THE SCOPE OF WORK

BORROWER shall not permit nor suffer to exist without prior written consent from COUNTY any material change in the Scope of Work submitted to COUNTY as set forth herein as Exhibit 4.

ARTICLE VI EVENTS OF DEFAULT AND REMEDIES

The entire unpaid principal of NOTE, the interest accrued thereon, and any service charges or fees, shall become immediately due and payable upon the written demand of COUNTY or its Assigns, without any other notice or demand of any kind or any presentment or protest, if any one of the following events (hereafter termed and "Event

of Default") shall occur and be continuing at the time of such demand, whether voluntarily or involuntarily, or without limitation, occurring or brought about by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rules or regulations of any administrative or governmental body. However, such sum shall not be then payable if BORROWER'S payments have been waived, or the time for making BORROWER'S payments have been extended by COUNTY in writing.

A. THE FOLLOWING ARE EVENTS OF DEFAULT:

1. MISUSE OF FUNDS

If the BORROWER uses the funds disbursed under this LOAN for items other than those items and activities identified in Use of Funds for Projects (Exhibit 2).

2. REMOVAL OF EQUIPMENT FROM THE COUNTY OF SAN BERNARDINO

If any Equipment purchased (or financed) by the proceeds of this LOAN are removed for any period of time from the COUNTY of San Bernardino. COUNTY reserves the right to allow Equipment to be relocated outside of the COUNTY in cases of urgent need for not more than 30 calendar days per relocation request. BORROWER agrees to obtain written permission from COUNTY for any relocation of Equipment prior to Equipment removal from the COUNTY. The COUNTY has the absolute discretion to approve or disapprove the removal of the equipment from the COUNTY and to state specifically when the equipment must be relocated back within the COUNTY of San Bernardino. If BORROWER needs Equipment to be relocated for more than 30 days, then for each 30 day period, or portion thereof, the BORROWER agrees to obtain written permission from COUNTY. It shall be in the sole discretion of the COUNTY to allow for the removal and relocation of Equipment.

3. ADDITIONAL LIENS NOT PERMITTED

If any additional liens or security interests are filed against the Equipment purchased with the proceeds of this LOAN without written permission of COUNTY.

4. DELIVERY OF MONTHLY REPORTS

If the BORROWER fails to deliver the Monthly Reports to the COUNTY within thirty (30) days of the end of each month for a period of three (3) consecutive months.

5. SCOPE OF WORK REQUIREMENTS

If BORROWER fails to fulfill requirements set forth in BORROWER'S Scope of Work set forth in the attached Exhibit 4. However, BORROWER shall not be in default if the COUNTY concludes, in its sole and absolute discretion, that the BORROWER'S failure to fulfill the requirements of BORROWER'S Scope of Work is due to causes beyond BORROWER'S control.

6. MAINTENANCE OF EQUIPMENT

If the BORROWER fails to keep the Equipment adequately maintained in the sole and absolute discretion of the COUNTY.

7. ADEQUATE INSURANCE

If the BORROWER fails to keep the Equipment adequately insured against loss or damage. The insurance policy(ies) for Equipment shall contain additional endorsements naming the COUNTY as the loss payee and as an additional insured.

8. VIOLATION OF OTHER TERMS

If the BORROWER violates any of the terms, conditions, or covenants set forth in this Agreement. If Guarantors violate any of the terms, conditions, or covenants set forth in the Guaranty Agreement.

9. LATE-PAYMENT OF THIS LOAN

If BORROWER shall fail to make payment when due of any installment of principal on the NOTE, or interest accrued thereon and if the default shall remain unremedied for ten (10) days BORROWER acknowledges that late payment by BORROWER will cause COUNTY to incur costs not contemplated by this LOAN. Therefore, if any installment due from BORROWER is not received within ten (10) days of the due date, BORROWER shall pay to COUNTY five percent (5%) of the unpaid portion of the regularly scheduled payment or \$100.00 which ever is greater as a late payment penalty. Acceptance of any late charge shall not constitute a waiver of BORROWER'S default with respect to the overdue amount, or prevent COUNTY from exercising any of the other rights and remedies available to COUNTY.

10. INCORRECT REPRESENTATION OR WARRANTY

If any representation or warranty (whether made by BORROWER or Guarantors) contained in, or made in connection with the execution of, or delivery of this LOAN, or in any certificate furnished pursuant hereto, shall prove to have been incorrect when made in any material respect.

11. DEFAULT IN COVENANTS

1. If BORROWER or Guarantors shall default in the performance of any other term, covenant or agreement contained in this LOAN, and if any such default shall continue, unremedied for ninety (90) days after either: (i) it becomes known to an executive officer of BORROWER or Guarantors; or (ii) written notice thereof shall have been given to BORROWER or Guarantors by COUNTY.
2. In addition an Event of Default will occur if Guarantors default in the performance of their respective guarantees, and if such default shall continue, unremedied for ninety (90) days after either: (i) it becomes known to an executive officer to Guarantors; or (ii) written notice thereof shall have been given to Guarantor by COUNTY.

12. VOLUNTARY INSOLVENCY

If BORROWER or Guarantors shall become insolvent or cease to pay its debts as they mature or shall voluntarily file a petition in bankruptcy or a petition seeking reorganization of, or the appointment of a receiver, trustee, or liquidator for it or for a substantial portion of its assets or to effect a plan or other arrangement with creditors, or shall be adjudicated bankrupt, or shall make a voluntary assignment for the benefit of creditors.

13.. INVOLUNTARY INSOLVENCY

If any involuntary petition shall be filed against BORROWER or Guarantors under any bankruptcy, insolvency or similar law seeking the reorganization of BORROWER or Guarantors, or the appointment of any receiver, trustee or liquidator for BORROWER, or seeking a substantial part of the property of BORROWER or Guarantors, or a writ or warrant of attachment or similar process shall be issued against a substantial part of the property of BORROWER or Guarantors and such petition shall not be dismissed or such writ or warrant of attachment or similar process shall not be released or bonded, within thirty (30) days after filing of levy.

14. JUDGMENTS

If any final judgment for the payment of money that is not fully covered by liability insurance and is in excess of \$10,000.00 shall be rendered against BORROWER, and within thirty (30) days, shall not be discharged, or an appeal there from taken and execution thereon effectively stayed pending

such appeal and, if such judgment be affirmed on such appeal, the same shall not be discharged within thirty (30) days.

B. WAIVER OF NOTICE

No failure or delay on the part of COUNTY in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof, or the exercise of any other right, power, or remedy hereunder. No modification or waiver of any provision of this LOAN or of NOTE, nor any consent to any departure by BORROWER or Guarantors, shall in any event be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on BORROWER or Guarantors in any case shall entitle BORROWER or Guarantors to any other or further notice or demand in similar or other circumstances.

C. RIGHT TO CALL THIS LOAN

If the BORROWER or Guarantors are in Default, the COUNTY shall have the right to demand that BORROWER pay off this LOAN by paying COUNTY, within ninety (90) days of COUNTY'S demand, the full amount of principal and interest outstanding on this LOAN and, in addition, any other charges that BORROWER or Guarantors may owe to COUNTY.

D. DELIVERY OF EQUIPMENT/TRANSFER OF TITLE/RELEASE OF BORROWER

Upon an Event of Default, and upon the written demand of the COUNTY, upon BORROWER, or at the end of the TERM of this LOAN, the BORROWER shall within ninety (90) days of receipt of said written demand either pay the full amount of principal and interest under the terms of the NOTE plus any other amounts required under the terms of the NOTE and this Agreement or in the alternative deliver the Equipment to the COUNTY, at the place designated by the COUNTY in the written demand. The Equipment purchased with the LOAN funds shall be free and clear of any and all liens, encumbrances or other security interests that may have attached to the Equipment and BORROWER shall transfer title to the Equipment to the COUNTY. If BORROWER delivers and transfers said title as set forth herein to the COUNTY, The NOTE shall be considered paid in full and BORROWER shall have no further obligation to the COUNTY. If BORROWER fails to deliver title to the Equipment, free and clear of encumbrances, within said Ninety (90) day period, then BORROWER shall be obligated for the entire sum due COUNTY under the terms and conditions of the NOTE and this Agreement and the COUNTY shall have the right to foreclose on the COUNTY'S Collateral and Security interest in the Equipment and BORROWER and GUARANTORS shall be subject to any deficiency judgment.

ARTICLE VII
MISCELLANEOUS

A. AUTHORITY

The Chairman of the Board of Supervisors (the "Chairman") is hereby authorized and directed, for and in the name and on behalf of the COUNTY, to execute and deliver, at any time, such other and further documents, or amendments, which, in the opinion of COUNTY Counsel, are necessary for the consummation, performance and completion of this transaction and do not create any material change in the rights and duties of the COUNTY. The COUNTY'S Director of the Department of Economic and Community Development is hereby designated to be the representative of COUNTY for all administrative matters relating to this LOAN.

B. AMENDMENTS

All parties, or their Assigns, hereby expressly reserve all rights to amend any provisions of this LOAN, to consent to waive any departure from the provisions of this LOAN, to amend or consent to waive departure from the provisions of NOTE, and to release or otherwise deal with any collateral security for payment of

NOTE provided, however, that all such amendments be in writing and executed by all parties or their Assigns.

C. NOTICES

All notices, consents, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party if mailed by certified mail, prepaid, to the parties at their address as set forth in this LOAN, or at such other address as any party may have designated in writing to any other party hereto.

COUNTY OF SAN BERNARDINO:
COUNTY of San Bernardino
Department of Economic and Community
Development
290 North D Street – Sixth Floor
San Bernardino, CA 92415

GUARANTORS:
Suzanne Viramontes
12815 La Bida Ave
Chino, CA 91710

Henry S. Viramontes
12815 La Bida Ave
Chino, CA 91710

BORROWER:
Henry S. Viramontes, dba Viramontes Express
12815 La Bida Ave
Chino, CA 91710

D. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

All agreements, representations, and warranties made by BORROWER or Guarantors herein or in any other document or certificate delivered to COUNTY in connection with the transaction contemplated by this LOAN, shall continue in full force and effect so long as NOTE is outstanding.

E. SUCCESSORS AND ASSIGNS

BORROWER shall not assign this LOAN or any monies due or to become due hereunder except as specified in the terms of this LOAN, without having first obtained the written consent of COUNTY.

F. AUDIT

COUNTY shall have the right to require BORROWER to provide within a reasonable time, a financial audit of BORROWER, by an independent certified public accountant chosen by COUNTY and paid for by BORROWER, if BORROWER is in default of any of their covenants or obligations to COUNTY.

G. COUNTERPARTS

This LOAN may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

H. SEVERABILITY OF PROVISIONS

If any provision of this LOAN is held to be invalid by the final decision of a court of competent jurisdiction, the remainder of this LOAN may not be affected thereby.

I. GOVERNING LAW

This LOAN, NOTE, Guaranty Agreements, and financing statements shall be deemed contracts made under the laws of the State of California and for all purposes shall be construed in accordance with the laws of said State. In the event any legal action should be filed by either party against the other, the venue and forum for such action shall be the Superior Court of the State of California for the COUNTY of San Bernardino.

J. ARTICLE AND SECTION HEADINGS

Article and Section Headings used in this LOAN are for convenience only and shall not affect the construction of this LOAN.

K. ATTORNEY'S FEES

In the event either party shall bring an action to enforce the terms and conditions of this LOAN, the prevailing party shall be entitled to recover all of its costs and expenses, including, but not limited to, reasonable attorney's fees as determined by the court.

L. CONFLICT OF INTEREST

No member, official or employee of COUNTY or BORROWER shall have any personal interest, direct or indirect, in the subject matter of this LOAN, nor shall any such member, official or employee participate in any decision relating to this LOAN which affects his personal interest or the interests of any corporation, partnership or association in which he has an interest, whether directly or indirectly.

M. DISCRIMINATION

BORROWER covenants that they will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352), and in accordance with Title VI of that Act, providing, in part, that no person in the United States shall, on the grounds of race, color, sex, or national origin, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under any program or activity for which the BORROWER will immediately take any measures necessary to effectuate this covenant.

N. LOBBYING

BORROWER and Guarantors each further covenant that it will comply with the requirement that nothing financed with proceeds from this LOAN shall involve political activities. No funds shall be used for lobbying activities.

O. SUSPENSION OR TERMINATION OF CONTRACT

1. Should COUNTY determine that suspension or termination of this LOAN is required, COUNTY shall forward a written notice of such determination to BORROWER fourteen (14) days prior to any initiation of termination or suspension procedures by COUNTY. Such notice shall contain a detailed statement of the facts upon which COUNTY'S determination is based and shall set a time and place to conduct a meeting with BORROWER to discuss whether termination or suspension procedures will be initiated. If COUNTY determines that termination procedures are necessary, COUNTY shall recommend termination to the Board of Supervisors. If the Board approves termination, this LOAN shall be terminated upon seven (7) days written notice to BORROWER.
2. Unless otherwise stated in this LOAN, this LOAN may be terminated or suspended in whole or in part for cause. Cause shall include, but not be limited to, the following:
 - (a) Failure of BORROWER to comply in any substantial or material respect with any terms or conditions of this LOAN; or
 - (b) BORROWER is unable or unwilling to accept any additional conditions that may be required by law, by executive order, by order, by regulations, or by other policy announced by the Board of Supervisors at any time.
3. Upon termination of this LOAN, BORROWER will remit any unencumbered funds from COUNTY as determined by the COUNTY to be owed. The action of COUNTY in accepting any such amount shall not constitute a waiver of any claims, which COUNTY may otherwise have arising out of this contract.

4. Upon suspension of funds, BORROWER shall not expend any funds for any purposes as to which COUNTY has determined that suspension of funds is necessary.

Q. CONTRACT COMPLIANCE

BORROWER shall comply with the Executive orders 11246, 11375, 11625, 12138, 12432, 12250, Title VII of the Civil Rights Act of 1964, the California Fair Housing and Employment Act, COUNTY Policy 15-01, and other applicable federal, state and COUNTY laws, regulations and policies relating to equal employment and contracting opportunities, including laws and regulations hereafter enacted.

IN WITNESS WHEREOF, the parties hereto have each caused this LOAN to be duly executed as of the day and the year first written above.

COUNTY OF SAN BERNARDINO

By: _____
DENNIS HANSBERGER, Chairman
Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF
THIS DOCUMENT HAS BEEN DELIVERED
TO THE CHAIRMAN OF THE BOARD

J. RENEE BASTIAN
Clerk of the Board of Supervisors
of the COUNTY of San Bernardino

By: _____

Dated: _____

APPROVED AS TO LEGAL FORM

RONALD D. REITZ
COUNTY Counsel

By: _____
Deputy COUNTY Counsel

BORROWER

Henry S. Viramontes, dba Viramontes Express

By: _____
Henry S. Viramontes, Owner

Dated: _____

PERSONAL GUARANTORS

Henry S. Viramontes
Suzanne Viramontes

Henry S. Viramontes, Individual

Dated: _____

Suzanne Viramontes, Individual

Dated: _____

CORPORATE GUARANTOR

Henry S. Viramontes, dba Viramontes Express

By: _____
Henry S. Viramontes, Owner

Dated: _____

Dated: _____

**COUNTY OF SAN BERNARDINO
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

NOTE

San Bernardino, California

\$583,619.00

Date: _____

For value received, Henry S. Viramontes, dba Viramontes Express, (hereinafter called "BORROWER") promises to pay to the order of the COUNTY of San Bernardino (hereinafter called "COUNTY") at its office in the City of San Bernardino, State of California or at COUNTY'S option, at such other place as may be designated by COUNTY, five hundred eighty three thousand six hundred nineteen (\$583,619) dollars, with interest on unpaid principal computed from the effective date of the NOTE to BORROWER at the rate of three percent (3.0%) per annum all due and payable on December 21, 2009. BORROWER shall have the right to pay the NOTE in full at any time without penalty.

The term "INDEBTEDNESS" as used herein shall mean the INDEBTEDNESS evidenced by this NOTE, including principal, interest, servicing charges and expenses, whether contingent, now due or hereafter incurred. The term "COLLATERAL" as used in this NOTE shall mean any funds, guarantees, or other property or rights therein of any nature whatsoever or the proceeds thereof, which may have been, are, or hereafter may be, hypothecated, directly or indirectly by the BORROWER or others in connection with, or as security for, the INDEBTEDNESS or any part thereof. The COLLATERAL, and each part thereof, shall secure the INDEBTEDNESS and each part thereof. The covenants and conditions set forth or referred to in any and all instruments of hypothecation constituting the COLLATERAL are hereby incorporated in this NOTE as covenants and conditions of the BORROWER with the same force and effect as though such covenants and conditions were fully set forth herein. The term "COUNTY" as used herein shall mean the COUNTY of San Bernardino and its assigns.

The INDEBTEDNESS shall immediately become due and payable upon the appointment, whether voluntary or involuntary, of a receiver or liquidator for the BORROWER, under the provisions of any State or Federal insolvency law or under the provisions of the Bankruptcy Code of 1978 or upon the making by the BORROWER of an assignment for the benefit of its creditors. COUNTY is authorized to declare all or any part of the INDEBTEDNESS immediately due and payable upon the happening of any of the following events: (1) Failure to pay any part of the INDEBTEDNESS when due; (2) Nonperformance by the BORROWER of any agreement with, or any condition imposed by COUNTY with respect to the INDEBTEDNESS; (3) COUNTY'S discovery of the BORROWER'S failure in any application of the BORROWER to COUNTY to disclose any fact deemed by COUNTY to be material or of the making thereof or in any of the said agreements, or in any affidavit or other documents submitted in connection with said application or the INDEBTEDNESS, of any misrepresentation by, on behalf of, or for the benefit of the BORROWER; (4) the merger or consolidation of the BORROWER, or the making of any agreement thereof without the prior consent of COUNTY, (5) the BORROWER'S failure duly to account, to COUNTY'S satisfaction, at such time or times as COUNTY may require, for any of the COLLATERAL, or proceeds thereof, coming into the control of the BORROWER; (6) the institution of any suit affecting the BORROWER deemed by COUNTY to adversely affect its interest hereunder in the COLLATERAL or otherwise, (7) If the BORROWER uses the funds dispersed under this LOAN for items other than those items and activities identified as in Sources and Uses of Funds for Projects (Exhibit 2 of the LOAN Agreement). (8) If any assets or Equipment purchased (or financed) by the proceeds of this LOAN are removed for any period of time from the COUNTY of San Bernardino, unless otherwise approved in writing by the COUNTY. (9) If any additional liens or security interests are filed against the Equipment purchased with the proceeds of this LOAN without written permission of COUNTY. (10) If the BORROWER fails to deliver the Monthly Reports as required in the LOAN Agreement to the COUNTY within thirty (30) days of the end of each month for three (3) consecutive months. (11) If BORROWER fails to fulfill the requirements set forth in BORROWER'S proposal set forth in Exhibit 4 of the LOAN Agreement. However, BORROWER shall not be in default if the COUNTY concludes, in COUNTY'S sole and absolute discretion, that the BORROWER'S failure to fulfill the requirements of BORROWER'S proposal is due to causes beyond BORROWER'S control. (12) If the BORROWER fails to keep the Equipment adequately maintained in the sole and absolute discretion of the COUNTY. (13) If the BORROWER fails to keep the Equipment adequately insured. (14) If the BORROWER violates any other of the terms and conditions of the LOAN Agreement. COUNTY'S failure to exercise its rights under this paragraph shall not constitute a waiver thereof.

If the INDEBTEDNESS becomes due and payable, then upon the written demand of the COUNTY, BORROWER shall within ninety (90) days of receipt of said written demand either pay the full amount of principal and interest under the terms of this Promissory Note plus any other amounts required under the terms of this NOTE (the "INDEBTEDNESS") or in the alternative deliver the Equipment ("COLLATERAL") to the COUNTY, at the place designated by the COUNTY in the written demand, the Equipment ("COLLATERAL") purchased with the LOAN funds, free and clear of any and all liens, encumbrances or other security interests that may have attached to the Equipment and BORROWER shall transfer title to the Equipment ("COLLATERAL") to the COUNTY. If BORROWER delivers and transfers said title as set forth herein to the COUNTY, the NOTE shall be considered paid in full and BORROWER shall have no further obligation to the COUNTY. If BORROWER fails to deliver title to the Equipment ("COLLATERAL"), free and clear of encumbrances, within said ninety (90) day period, then BORROWER shall be obligated for the entire INDEBTEDNESS due COUNTY under the terms and conditions of the NOTE and LOAN Agreement and Security Agreement.

Upon the nonpayment of the INDEBTEDNESS, or any part thereof, when due, whether by acceleration or otherwise, COUNTY is empowered to sell, and deliver the whole or any part of the COLLATERAL at public or private sale. After deducting all expenses incidental to or arising from such sale or sales, COUNTY may apply the residue of the proceeds thereof to the payment of the INDEBTEDNESS, as it shall deem proper, returning the excess, if any, to the BORROWER. The BORROWER hereby waives all right of redemption or the appraisalment whether before or after sale. COUNTY is further empowered, to collect or cause to be collected or otherwise to be converted into money all or any part of the COLLATERAL by suit or otherwise, and to surrender compromise, release, renew, extend, exchange or COLLATERAL in transaction with the BORROWER or any third party, irrespective of any assignment thereof by the BORROWER. Whenever LOAN secured by the COLLATERAL shall not be paid when due, or otherwise shall be in default, whether or not the INDEBTEDNESS, or any part thereof, has become due, COUNTY shall have the same rights and powers with respect to such item of the COLLATERAL as are granted in respect thereof in this paragraph in case of nonpayment of the INDEBTEDNESS, or any part thereof, when due. None of the rights, remedies, privileges, or powers of COUNTY expressly provided for herein shall be exclusive, but each of them shall be cumulative with and privilege, and power now or hereafter existing in favor of COUNTY, whether at law or in equity, by statute or otherwise.

The BORROWER agrees to take all necessary steps to administer, supervise, preserve, and protect the COLLATERAL; and regardless of any action taken by COUNTY, there shall be no duty upon COUNTY in this respect. The BORROWER shall pay all expenses of any nature, whether incurred in or out of court, and whether incurred before or after this NOTE shall become due at its maturity date or otherwise, including but not limited to reasonable attorney's fees and costs, which COUNTY may deem necessary or proper in connection with the satisfaction of the INDEBTEDNESS or the administration, supervision, preservation, protection of (including, but not limited to, the maintenance of adequate insurance) or the realization upon the COLLATERAL. COUNTY is authorized to pay at any time and from time to time any or all such expenses, add the amount of such payment to the amount of the INDEBTEDNESS, and charge interest thereon at the rate specified herein with respect to the principal amount of this NOTE.

The security rights of COUNTY and its assigns hereunder shall not be impaired by COUNTY'S sale, hypothecation or re-hypothecation of any NOTE of the BORROWER or any item of the COLLATERAL, or by any indulgence, including but not limited to (1) any renewal, extension, or modification which COUNTY may grant with respect to the INDEBTEDNESS or any part thereof, or (b) any surrender, compromise, release, renewal, extension, exchange, or substitution which COUNTY may grant in respect of the COLLATERAL, or (c) any indulgence granted in respect to any endorser, guarantor, or surety.

BORROWER:

Henry S. Viramontes dba Viramontes Express

By: _____
Henry S. Viramontes, Owner

Dated: _____

CORPORATE GUARANTOR

Henry S. Viramontes, dba Viramontes Express

By: _____
Henry S. Viramontes, Owner

GUARANTORS

Henry S. Viramontes
Suzanne Viramontes

Henry S. Viramontes, Individual

Dated: _____

Suzanne Viramontes, Individual

Dated: _____

Date:_____

Project No. _____

EXHIBIT 2 OF 5

**COUNTY OF SAN BERNARDINO
BARK BEETLE WASTE WOOD
BUSINESS INCENTIVE PROGRAM
USES OF FUNDS FOR PROJECTS**

Item No.	Item Description	Make	Model	Quantity	Cost per unit	Total
1	Walking floor trailer	The Trailer Co.	2005 TTC	2	\$59,860	\$119,720
2	Loader	Caterpillar	950G Wheel Type	1	\$183,067	\$183,067
3	3-axle truck	Perterbilt	379-127	2	\$140,416	\$280,832
TOTAL						\$583,619

Project No. _____

EXHIBIT 3 OF 5

**BARK BEETLE WASTE WOOD
BUSINESS INCENTIVE PROGRAM
MONTHLY REPORT**

FOR THE MONTH OF _____

DATE: _____

For the twelve month period commencing on January 200____ ending on December 200____.

Company Name: Viramontes Express COUNTY Contract Number: _____

Contact Name: _____

Phone: _____ Fax: _____

Facility Location:

Address	City	State	Zip
---------	------	-------	-----

Equipment Location (all addresses that apply):

Address	City	State	Zip
---------	------	-------	-----

Address	City	State	Zip
---------	------	-------	-----

AMOUNT WOOD MATERIAL RECEIVED/UTILIZED DURING THIS MONTHLY REPORTING PERIOD.

Amount of wood material received: _____ tons

~~Number of board foot milled: _____ b-ft~~

Amount of tonnage processed: _____ tons

Amount of wood waste disposed: _____ cyd or _____ tons

Number of jobs created (if any) for the reporting month: _____

ESTIMATED AMOUNT OF WOOD MATERIAL TO BE RECEIVED/UTILIZED FOR NEXT REPORTING PERIOD.

Estimated amount of wood material received: _____ tons

~~Estimated number of board foot milled: _____ b-ft~~

Estimated amount of tonnage processed: _____ tons

Estimated amount of wood waste disposed: _____ cyd or tons

(ALL VERIFYING DOCUMENTATION)

SCOPE OF WORK

For \$583,619 (five hundred eighty three thousand six hundred nineteen dollars) Viramontes Express will purchase two (2) walking floor trailers, one (1) loader, and two (2) 3-axle trucks, as set forth in Exhibit 5. During the term of this agreement, Viramontes Express will use this equipment to process dead and dying Bark Beetle infested trees for soil erosion control, waste water filtration, and other applications.

Viramontes Express will secure the approval of the COUNTY in writing prior to moving the equipment outside of the COUNTY. The COUNTY has the absolute discretion to approve or disapprove the removal of the equipment from the COUNTY and to state specifically when the equipment must be relocated back within the COUNTY of San Bernardino. Also, for each relocation period of 30 days, or any portion thereof, Viramontes Express will request written permission from the COUNTY.

As a result of the purchase of this equipment, ten (10) jobs will be created.

Project No. _____

EXHIBIT 5 OF 5

INVOICES/ESTIMATES FOR EQUIPMENT